

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 PRS-01 SP-02  
AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-05 OMB-01  
CEA-01 L-03 H-01 OES-07 CIAE-00 COME-00 EA-10  
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 LAB-04  
SIL-01 AGRE-00 FEA-01 ERDA-05 INT-05 PM-05 DODE-00  
/134 W

-----035466 021905Z /53

O R 021600Z DEC 77  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC IMMEDIATE 5219  
INFO AMEMBASSY PARIS  
AMEMBASSY BONN  
AMEMBASSY ROME  
AMEMBASSY LONDON  
AMEMBASSY BRUSSELS 1230  
USMISSION USNATO

C O N F I D E N T I A L MOSCOW 17504

USEEC

USOEC D ALSO FOR EMBASSY

E.O. 11652: GDS-3  
TAGS: EFIN, FR, UR, EEWT, ENRG  
SUBJECT: FRANCO-SOVIET FINANCIAL AGREEMENT

REF: MOSCOW 17428

1. E/C COUNSELOR CALLED ON FRENCH COMMERCIAL COUNSELOR  
LABADIE (STRICTLY PROTECT COURCE) DECEMBER 2 TO INQUIRE  
ABOUT FRANCO-SOVIET FINANCIAL AGREEMENT SIGNED IN MOSCOW  
NOVEMBER 30 (REFTEL). AT OUTSET LA BADIE STATED THAT  
ALTHOUGH HE HAD ALWAYS TRIED TO BE COOPERATIVE, HE WAS  
ENJOINED BY STRICT INSTRUCTIONS OF HIS GOVERNMENT NOT  
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TO SPEAK ABOUT TERMS OF AGREEMENT WITHOUT PRIOR AUTHORI-  
TION FROM PARIS. HE EXPLAINED THAT QUESTION WAS ONE OF  
GREAT SENSITIVITY WHICH WAS BEING PUT TO PREMIER BARRE  
IN PARIS TODAY AND THAT ONLY AFTER BARRE HAS DETERMINED  
WHAT LINE FRENCH WILL TAKE IN EXPLAINING AGREEMENT WILL  
IT BE POSSIBLE TO DIVULGE CONTENTS. FRENCH WERE PARTI-  
CULARLY CONCERNED WITH RESPECT TO OECD, HE INDICATED.

ACCORDING TO LABADIE, RUSSIANS DEMANDED THAT CONTENT OF AGREEMENT NOT BE REVEALED, A POSITION WHICH THE FRENCH HAD NOT (RPT NOT) ACCEPTED. FOR PRESENT, HOWEVER, HE COULD SAY NOTHING ABOUT IT.

2. LABADIE WENT ON TO DESCRIBE "ENVIRONMENT" OF THE DISCUSSIONS. IN ENSUING DISCUSSION, HE INDICATED SOME OF THE DETAILS OF THE NEW ACCORD, WHILE MAKING THE FOLLOWING POINTS:

- THE AGREEMENT COVERS ONLY 1978, NOT 1979.
  - INTEREST RATE FOR LONG TERM LOANS WILL CONTINUE TO BE 7.2 PERCENT.
  - AGREEMENT WAS SIGNED BY FRENCH FINANCE MINISTRY FOREIGN TRADE CHIEF DEMOREL (PHON.) AND SOVIET DEPUTY MINISTER OF FOREIGN TRADE KOMAROV, FOLLOWING AN INTERNAL STRUGGLE BETWEEN KOMAROV AND MFT DEPUTY MINISTER AND FOREIGN CURRENCY SPECIALIST VIKTOR IVANOV, WHO HAD HANDLED EARLIER AND FRUITLESS PORTION OF NEGOTIATIONS. AT UNUSUAL 9:15 A.M. MEETING ON NOVEMBER 30, IVANOV TOLD DE MOREL IN A RATHER UNFRIENDLY MANNER THAT FRENCH HAD NOT BEEN SUFFICIENTLY FORTHCOMING IN NEW AGREEMENT. IVANOV SAID THAT FRENCH WERE STILL IN FOURTH POSITION IN SO FAR AS CREDIT POSITION TOWARDS USSR IS CONCERNED, BEHIND THE GERMANS, JAPANESE AND ITALIANS.
  - THE FRENCH FEEL THE RATE IS NOT COVERED BY
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THE OECD CONSENSUS. NEVERTHELESS, THEY RECOGNIZE THAT THEIR ACTION WILL MOVE AT LEAST THE BRITISH TO FOLLOW SUIT (NOT TO MENTION THE EFFECT ON ITALY):

- IT WAS NOT POSSIBLE TO COMPETE WITH THE CREDIT TERMS OFFERED BY GERMAN COMMERCIAL BANKS; ILLUSTRATIVE OF THIS PROBLEM, HE WAS PRESENTLY ENGAGED IN TRIPARTITE BUSINESS DISCUSSIONS WITH THE SOVIET FOREIGN TRADE ORGANIZATION METMURGIMPORT WHICH ALSO INVOLVED A GERMAN ENTERPRISE. THE GERMANS ARE OFFERING A 7.25 PERCENT INTEREST RATE WHICH THE FRENCH COULD NOT MATCH HAD THEY NOT SIGNED THE AGREEMENT (IT WAS HERE HE REVEALED THAT THE INTEREST RATE WAS THE SAME FOR 1978 AS AT PRESENT);
- THE AGREEMENT MEANT JOBS FOR FRENCH WHICH IN PRESENT STATE OF FRENCH ECONOMY COULD NOT BE OVERLOOKED,
- MOREOVER, FRENCH HAVE HAD A SPECIAL TRADE RELATIONSHIP SINCE DEGAULLE VISIT TEN YEARS AGO WHICH, THOUGH ALTERED, WAS STILL IN EXISTENCE
- THE BRITISH HAD A VERY LARGE NUMBER OF PROJECTS IN THE PIPELINE WHICH THEY WERE STILL OFFERING TO USSR AT THE OLD INTEREST RATE. (WHEN COUNSELOR MENTIONED THAT BRITISH SAY THE LAST DEAL CONCLUDED UNDER THE

OLD RATE HAS ALREADY BEEN SIGNED, LABADIE INDICATED  
DISBELIEF.)

3. LABADIE SAID THAT PRESENT OF FRENCH STATE-  
OWNED PETROLEUM COMPANY IS TO VISIT USSR FOR TALKS WITH  
SOVIET COMPENSATION PROJECTS SPECIALIST, DEPUTY  
MINISTER OF FOREIGN TRADE SUSHKOV. TALKS WILL CONCERN  
PROJECTS FOR EXPLORATION OF BARENTS SEA, WHICH SOVIETS  
HAVE BEEN DISCUSSING WITH BRITISH AS WELL. LABADIE STATED THAT  
SOVIETS HAVE BEEN COMPLAINING THAT FRENCH HAVE NOT  
PURCHASED SUFFICIENT AMOUNT OF SOVIET CRUDE OIL AND  
PRODUCTS IN 1977. HE STATED THAT PURCHASE WAS ONLY  
4.5 MILLION TONS, WITH ONLY FRENCH B.P. BUYING AT  
SOVIET-DEMANDED UPPER TIER OPEC PRICE PRIOR TO MAY,  
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WHEN SAUDIS MOVED TO HIGHER PRICE. FRENCH HAD UNSUCCESS-  
FULLY BEEN TRYING TO GET SOVIET OIL AT LOWER TIER OPEC  
PRICE UNTIL THIS DATE. SOVIETS IN PARTICULARLY FOUND IT  
HARD TO UNDERSTAND WHY STATE OWNED COMPANY IN FRANCE COULD  
RESIST FRENCH GOVERNMENT AND DECLINE TO BUY SOVIET OIL.

4. LABADIE INDICATED THAT HE EXPECTED AUTHORIZATION  
WOULD BE GIVEN BY PARIS AT EARLY DATE TO PROVIDE TERMS OF  
AGREEMENT. TOON

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## Message Attributes

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**Disposition Approved on Date:**  
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